<u>Electrical Rate Review Meeting Notes</u>
September 20, 2006

12:00 p.m. Noon
Boards and Commissions Room (L2-80)
City Hall, 600 4th Avenue, Seattle

<u>Topic</u>
Questions/comments

Why was there a 17% increase in wheeling costs?
Because there was no increase in 2005-2006 with the rates – upon further review, this was not the case and it will be further pursued

What is the purpose of changing the crediting of secondary revenues of power? Basis of the decision?
Had to create a new allocation for the increase in wholesale sales
Allocation spreads the cost across all customer classes
Net wholesale revenue is still being allocated by marginal cost shares weighted by energy distribution and distribution of service costs

Renewable resources should be used instead of spot market coverage for marginal cost of energy
Spot market is used because City Light is working in surplus
Methodology should change when City Light starts acquiring new sources

Allocation of wires, poles, and other miscellaneous item costs – this doesn't cover growth in all areas and classes and is not appropriately allocated
Average Cost = Marginal Cost in the long run
When loads grow, the wires and other items must be replaced

A class gets a new load, cost is spread among all users – it seems to be a fixed cost

<u>Structured Rates</u>
Residential rates:
- High 2nd block rate
- Payers are seemingly penalized for using electricity for lighting, heating and cooking
- Price signals (up 700%) focus on cooking and heating and are causing users to switch to gas
- Gas creates more greenhouse issues in our neighborhoods
- Users tend to not use much 2nd block when they do not cook or heat their home with electricity
- Little or no consumption in the second block – though they add to the rate growth
- Put the burden on those using mainly the 1st block

1. Increase base service charge to ½ the customer cost – about $4 a month
2. Leave the 1st block the same
3. Reduce the 2nd block to meet the revenue need
4. Eliminate the 3rd tier altogether

Gives everyone the same price signal
Small increase to low use customers
Would lowering the 2nd block help to reduce conservation among other customers? Doubtful

Changes in Demand Charges
Large changes have been made – doubled for non-network users
Big change in rate design for some users – this should be more tempered and gradual

New large load
This rate is not in the current rate plan
Looking into capacity charges in the Council

Upfront Infrastructure Charges
Have been eliminated
Policies in place to handle new load and charges

Suburban Rates – going up a lot (especially Tukwila)
Looked at what is allowed to charge in the contracts with the cities
6% revenue tax on City Light by the City
Tukwila has a higher percentage due to distribution costs
6% is not unusual

White Papers

Overview
Residential Rates:
Rates based on cost of service
Higher rates were made to promote conservation
- Lifestyle changes (turn off lights, shorter showers, ect)
- Conservation by adding insulation, windows, ect
- Adding new technology for efficiency (washers, dryers, ect)

High costs create conversion *instead* of conservation
The switch to gas is bad for the greenhouse

Recommendations
1. Increase base service charge to ½ the customer cost – about $4 a month
2. Leave the 1st block the same
3. Reduce the 2nd block to meet the revenue need
4. Eliminate the 3rd tier altogether

3rd Tier – this is a residential issue

Network Rates
Costs should go to medium and large customers
Cost is spread among all of Seattle – outer areas pay for people living in $1 million condos downtown
Residential downtown are adding to and using the network – should be billed accordingly
Want to promote density downtown – keep rates attractive

Final Thoughts/Round Robin
Secondary Revenues
- These energy rates should get relief – they held the burden in the past
- Selling of excess power – the profits should be benefiting the users/ratepayers